

Message Text

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43

ACTION XMB-04

INFO OCT-01 AF-08 ISO-00 EB-07 AID-05 TRSE-00 CIAE-00

INR-07 NSAE-00 OPIC-03 L-03 /038 W

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P 031318Z AUG 76

FM AMEMBASSY KINSHASA

TO SECSTATE WASHDC PRIORITY 9007

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DEPT PASS EXIMBANK, COMMERCE, TREASURY, OPIC

E.O. 11652: N/A

TAGS: EFIN, EGEN, CG

SUBJECT: EXIMBANK LOANS FOR INGA-SHABA AND GECAMINES

REF: A) STATE 186498, B) KINSHASA 4251, C) KINSHASA 6382

1. AUG 2 CIS REPS SHOWED US TELEX FROM MORRISON-KNUDSEN STATING THAT IT APPEARED THAT FUNDS FROM EXIMBANK INGA-SHABA LOAN WOULD NOT BE AVAILABLE UNTIL SEPT 24 AT THE EARLIEST. CONSEQUENTLY, M-K INSTRUCTED CIS TO CEASE OPERATIONS IN THE KANANGA AREA IN ORDER TO CONSERVE LIMITED FOREIGN EXCHANGE AVAILABLE. CIS REPS TOLD US THAT KANANGA CAMP IS MOST EXPENSIVE OF CIS OPERATIONS AND THUS ITS CLOSURE WILL CONSERVE MAXIMUM AMOUNT OF FOREIGN EXCHANGE. THEY ALSO NOTED THAT WORK WAS PROCEEDING WELL IN THAT AREA AND THE CLOSURE WOULD HAVE SIGNIFICANT EFFECT UPON PROGRESS OF COMPLETING THE TRANSMISSION LINE.

2. AS REPORTED REFS B AND C, ZAIRE HAS (A) MADE A \$7.6 MILLION DOWN PAYMENT ON THE EXIMBANK COST OVERRUN, (B) PROVIDED FOR LOCAL CURRENCY FINANCING AND (C) SIGNED AN AGREEMENT IN PRINCIPLE TO PAY SEDELM I \$2.8 MILLION IN INSTALLMENTS. AS REPORTED REF C IT APPEARS TO US THAT THE GOZ HAS ESSENTIALLY COMPLIED WITH THE CONDITIONS PRECEDENT WHICH WE UNDERSTAND EXIMBANK IMPOSED PRIOR TO THE FINANCING OF THE INGA-SHABA OVERRUN. WE URGED THEN, AND CONTINUE TO URGE, THAT THE LOAN BE EXECUTED ASAP AS DELAYS

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MERELY ADD TO THE ULTIMATE COST OF THE COMPLETION OF THE TRANS-

MISSION LINE.

3. WE INTEND TO MAKE STRONG REPRESENTATION TO CENTRAL BANK GOVERNOR SAMBWA AND OTHER APPROPRIATE GOZ OFFICIALS ABOUT IMPORTANCE OF MAKING INTEREST PAYMENTS IN ACCORDANCE WITH PARIS RESCHEDULING AGREEMENT. WE WILL ALSO EXPRESS EXIMBANK'S CONCERN CITED REF A.

4. NECESSITY TO CLOSE KANANGA CAMP BECAUSE OF DELAY IN EXECUTING EXIMBANK LOAN CLEARLY INDICATES TO US DESIRABILITY OF CONCLUDING LOAN ASAP IN ORDER TO MINIMIZE EVENTUAL TOTAL COST OF TRANSMISSION LINE. PLEASE ADVISE SOONEST (A) AS TO ANY REMAINING CONDITIONS PRECEDENT TO BE MET BY GOZ BEFORE SIGNING OF EXIMBANK LOAN, (B) IF PROBLEMS BETWEEN EXIMBANK AND U.S. COMMERCIAL BANKS CONCERNING TRUST FUND AGREEMENT HAVE BEEN RESOLVED, (C) APPROXIMATE SCHEDULE FOR SIGNING OF EXIMBANK LOAN AND (D) WHETHER OR NOT DISBURSEMENT CAN BEGIN PROMPTLY UPON SIGNING OF LOAN.

5. FINALLY, WE NOTE THAT EXIMBANK HAS MADE IMPLEMENTATION OF THE INGA-SHABA LOAN CONDITION PRECEDENT FOR IMPLEMENTATION OF \$20 MILLION GECAMINES LOAN. IN VIEW OF DELAYS IN IMPLEMENTING INGA-SHABA LOAN, WE URGE EXIMBANK TO RECONSIDER ITS POSITION AND PERMIT IMMEDIATE IMPLEMENTATION OF GECAMINES LOAN. IT APPEARS OBVIOUS TO US THAT IT IS DESIRABLE TO IMPLEMENT GECAMINES LOAN ASAP IN ORDER TO INCREASE GECAMINES' PRODUCTION WITH CONSEQUENT BENEFITS FOR ZAIRE'S FOREIGN EXCHANGE EARNINGS AND THUS INCREASED ABILITY TO MEET DEBT SERVICE PAYMENTS.

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Message Attributes

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